

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 COME-00 DODE-00 DOTE-00 EB-07
FMC-01 INR-07 NSAE-00 SAL-01 CG-00 DLOS-06 OES-06 L-03
XMB-02 ERDA-05 PM-04 ACDA-07 TRSE-00 NSC-05 FEA-01
/068 W

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P R 132119Z DEC 76
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC PRIORITY 1902
INFO AMEMBASSY BONN
AMCONSUL HAMBURG
ALL CONGENS IN CANADA

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E.O. 11652: N/A
TAGS: EWWT, ENRG, ETRD, TECH, CA
SUBJ: NUCLEAR ICEBREAKER QUESTION

REF: OTTAWA 4259

1. CANADIAN COAST GUARD COMMISSIONER O'NEIL INFORMALLY TOLD
TCO DECEMBER 10 HE HAD PARTICIPATED A FEW DAYS EARLIER IN ORAL
BRIEFING BY CONSULTANTS CHOSEN TO EVALUATE COMPETING OFFERS.
ALTHOUGH WRITTEN REPORT WILL NOT BE AVAILABLE UNTIL AT LEAST
MID-JANUARY HE SAID FOLLOWING POINTS SHOULD BE OF INTEREST
TO U.S.:

A. THE BABCOCK AND WILCOX/NEWPORT NEWS PROPOSAL IS APPROXI-
MATELY DOUBLE THE AVERAGE COST OF THE BRITISH, FRENCH AND GERMAN
COMPETITORS AND APPEARS "OUT OF THE REALM AT WHICH GOC COULD
POSSIBLY ENTERTAIN IT". THE THREE EUROPEAN FIRMS HAVE QUOTED
PRICES WHICH APPROXIMATE CANADIAN ESTIMATES OF COST AT WHICH
NUCLEAR POWER WOULD BE ADVANTAGEOUS AND PAPER TO CABINET
RECOMMENDING THAT GOC GO NUCLEAR WILL PROBABLY BE BASED
ON SUCH PRICES.

B. THERE IS A SERIOUS PROBLEM WITH THE "PROTECTION SYSTEM"
FOR THE NUCLEAR PLANT AS PROPOSED BY THE U.S. CONTRACTORS,
IN THAT IT DOES NOT PROVIDE FOR A SECONDARY OR TERTIARY
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(O'NEIL WAS NOT SURE WHICH) FALL-BACK ARRANGEMENT TO DEAL WITH

POSSIBLE REACTOR FAILURE. THE U.S. FIRMS SAY THIS IS UNNECESSARY UNDER THEIR PROPOSAL, BUT THE AECB CONSIDERS IT VITAL FOR ANY SYSTEM ADOPTED. WHILE AN EFFORT MIGHT BE MADE TO CHANGE THE AECB POSITION, O'NEIL ESTIMATES IT WOULD TAKE TWO YEARS OF DIFFICULT PROCEDURES AND IS NOT WORTH THE EFFORT.

C. THE WORK TO BE DONE IN CANADA (OFFSET OR OTHER CONTRACTOR STIMULATED PROJECTS) WITHIN THE FRAMEWORK OF THE U.S. PROPOSAL IS IN THE VICINITY OF 10-15 PERCENT VERSUS AN APPROXIMATELY 25 PERCENT AVERAGE IN THE EUROPEAN PROPOSALS. (HE OBSERVED THAT, WHILE ULTIMATELY IMPORTANT IN THE CHOICE OF CONTRACTOR, THIS QUESTION WILL NOT BE CONTROLLING AT THE PRESENT STATE OF CONSIDERATION.)

D. ONE OF THE FOUR PROPOSALS--O'NEIL WAS NOT SURE WHICH, BUT THOUGHT IT WAS THE U.S. ONE--VIOLATES THE SIZE CONSTRAINTS IMPOSED BY THE SHIP DESIGN TO ACCOMMODATE THE POWER PLANT AND ITS SHIELDING. THIS WOULD INVOLVE REDISIGN OF THE SHIP ITSELF WHICH IS NOT LIKELY TO BE UNDERTAKEN BY THE GOC.

2. IN REPLY TO OUR QUESTION AS TO WHETHER THE CONSULTANT HAD EXPRESSED ANY VIEW REGARDING ANY SIGNIFICANT DIFFERENCE BETWEEN THE COMPETING TECHNOLOGIES WHICH MIGHT MAKE THE HIGHER PRICED U.S. PROPOSAL A BETTER BUY, O'NEIL WOULD ONLY SAY THAT ALL THE OFFERS POSED TECHNICAL PROBLEMS WHICH WOULD HAVE TO BE OVERCOME BY MODIFICATION OF THE PROPOSALS.

3. O'NEIL AGREED TO MEET WITH TCO AGAIN IN LATE JANUARY FOR FURTHER REVIEW OF THE SITUATION. HE ALSO INDICATED HE WAS STILL CONCERNED ABOUT THE ASSURANCES FOR SUPPLY OF NUCLEAR FUEL AND ASKED ABOUT OUR THINKING ON THAT SUBJECT. TCO ASSURED HIM THE QUESTION WAS UNDER ACTIVE CONSIDERATION IN WASHINGTON. O'NEIL AID THAT HE ASSUMED THERE WOULD BE NO PROBLEMS WITH THE EUROPEAN GOVERNMENTS IN VIEW OF THE CLOSE RELATIONS WHICH EXIST BETWEEN THEM AND THEIR CONTRACTORS.

4. COMMENT: TCO'S MEETING WITH O'NEIL WAS BY PRIOR ARRANGEMENT AND O' NEILL LED IMMEDIATELY INTO THE COST QUESTION. TCO
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ASSUMES HE HOPES U.S. FIRMS WILL RECONSIDER THEIR PRICE QUOTATIONS.
ENDERS

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Message Attributes

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